

~~Secret~~

TIER

(b) (1)
(b) (3)

APPROVED FOR RELEASE
DATE: OCT 2005



Directorate of Intelligence

DIW

Economic Intelligence Weekly

15 August 1996

Featuring:

CIA/DI - DIW 96-032

~~Secret~~

DI EIW 96-032
15 August 1996

Copy 0538

~~Secret~~

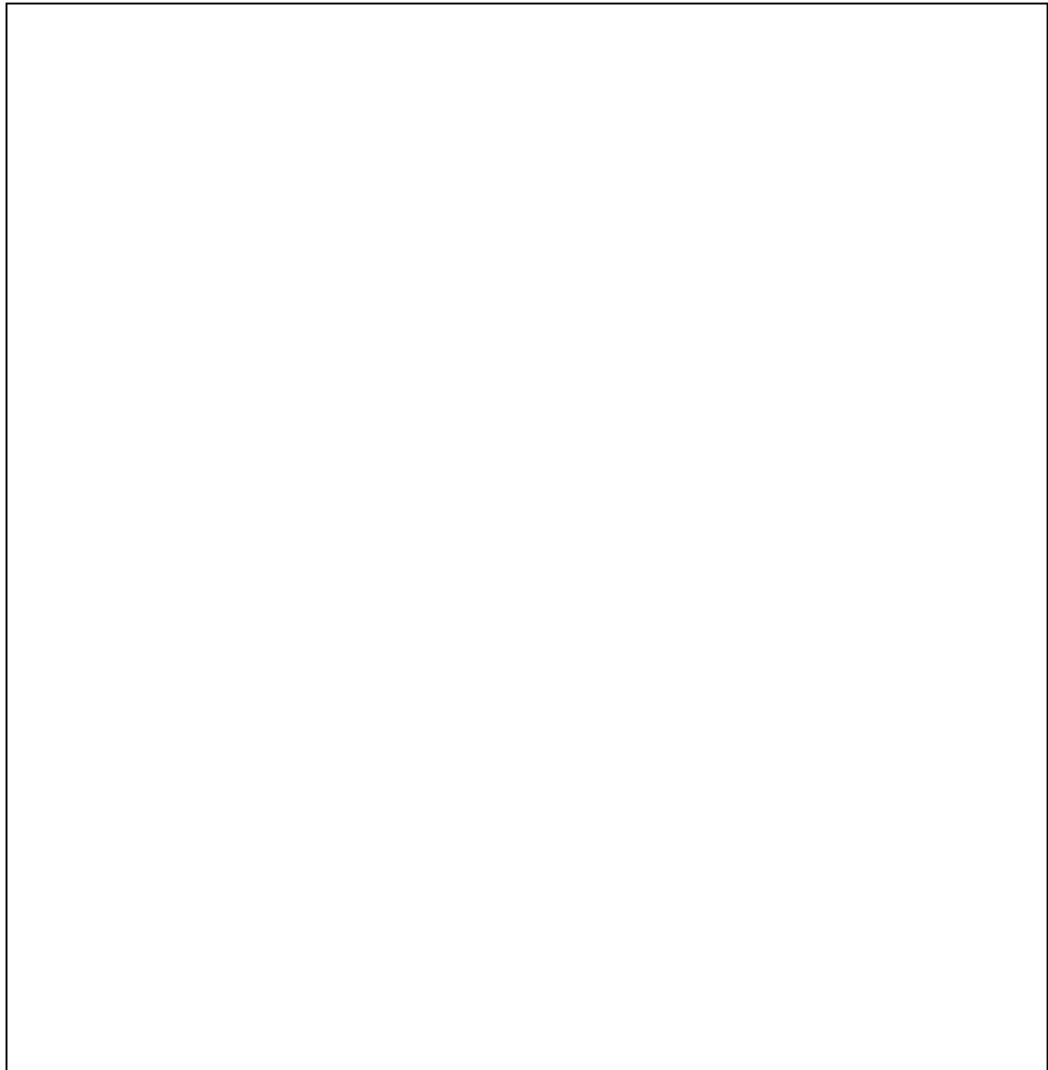
Economic Intelligence Weekly

Current Highlights

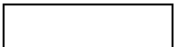
National and Regional Developments

Looking Behind the Tensions in Indonesia

18

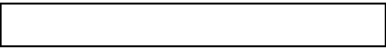


**Looking Behind the
Tensions in Indonesia**



Indonesia's recent political troubles—such as the government's seizure of the headquarters of the opposition Indonesia Democracy Party (PDI) last month and the subsequent rioting in central Jakarta—have their roots in new pressures for political and economic reform. 

A new generation of political activists is seeking to circumvent the regime's 30-year control of both the legal opposition and the government.

- The ousted chairman of the PDI, Megawati Sukarnoputri, says she favors gradually changing the current political system while laying the foundation for a mass-based, reform-oriented national party. She sees the poor and lower middle class as her political base. 

Indonesia's Military Trying To Keep the Lid On

Senior military officials continue to emphasize their role as guarantors of social stability, according to press reports. the security apparatus appears firmly behind the regime.

The Army's ability to deal with multiple challenges across the country, however, is constrained by limited manpower, training, and resources. It had difficulty last winter, for example, reinforcing a small contingent of troops attempting to quell separatist unrest in Irian Jaya—a province 2,700 km from Jakarta.

- *If Soeharto appears increasingly out of touch with the growing social tensions, some in the military may prefer to press him to step aside rather than engage in more violent repression. Military leaders have shown heightened sensitivity to foreign criticism of human rights abuses in recent years.*

-
- the establishment over the past three years of a number of small organizations adept at identifying issues that resonate among the poor and the young. One of the most prominent is the radical People's Democratic Party, an umbrella for several prodemocracy groups.

The activists' calls for economic reform appeal to many Indonesians. Despite a sharp reduction in the share of the population living in poverty—now at 15 percent—rapid GDP growth has actually increased the economic frustrations of many Indonesians.

- Longstanding resentment of ethnic Chinese control of the economy is being exacerbated by a widening income gap between the wealthiest families—inordinately Chinese—and the majority of Indonesians. Resentment of the First Family's wealth—derived primarily from its ties to ethnic Chinese firms—has also risen.
- Many workers—some officials say as much as 40 percent of the labor force—are still underemployed and cannot afford the modern consumer goods now readily available in major cities.

- Rapid industrialization and urban migration have produced a more activist labor force that is staging more strikes. [] labor is especially critical of the government for failing to adequately enforce minimum wage laws. []

The activists' focus on political reform also strikes a chord with young Indonesians. [] rising educational levels and a growing number of young people—with no memory of the instability that followed the end to Sukarno's rule in 1965—have combined to create a segment of society that no longer accepts Jakarta's strictures.

- Several radical and well-organized student groups are closing ranks with frustrated workers. [] this is a potentially explosive combination.
- Vastly improved communications facilitate both the sharing of information and rapid, coordinated responses to government actions. []